SPECIALTY STORE FOCUS

A Round-Up of News at Warehouse Clubs, Catalog Showrooms and Specialty Retailers

Service Merchandise to Open New Showroom

NASHVILLE, Tenn. — Service Merchandise plans to enter Minnesota this summer by opening a 50,000-sq.-ft. showroom in Minneapolis, at about the same time that Best Products is due to close its six stores in the Twin Cities (see *DSN*, Feb. 17, page 5). Service Merchandise expected to open 12 new showrooms this year, while replacing five others and renovating one.

BizMart Lands on Virginia Beach

ARLINGTON, Texas — BizMart entered the East Coast last month with an office supplies megastore in Virginia Beach, Va. The now 75-unit chain plans to open 100 stores by October. Until the opening of the Virginia Beach store Feb. 16, BizMart operated largely in the Southwest and Western United States.

Smart & Final Begins Sunday Operations

SANTA BARBARA, Calif. — Smart & Final has begun opening all its 118 non-membership wholesale clubs on Sundays after testing the move in January and early February. Chairman and ceo Robert J. Emmons said, "Sunday openings will further enhance our ability to meet customer needs for convenience and overall value." The food-oriented club chain, which is about half-owned by Casino France, a major French retailing conglomerate, plans expansion to Texas next year from its current California, Nevada and New Mexico markets.

Specialty Retailer Bows 36th Pet Store

PHOENIX, Ariz. — PETsMART, a specialty retailer of pet food and supplies, opened its 36th store, in Mesa, Ariz., last month. At 25,000 sq. ft., PETsMART locates its stores in power centers. The new Mesa unit opened Feb. 24 next to a Price Club. For 1992, PETsMART plans 32 new store openings.

Value Merchants Join the NYSE

MILWAUKEE, Wis. — Value Merchants, operator of Toy Liquidator toy stores and Everything's a $1 dollar stores, joined the New York Stock Exchange effective Feb. 13. The company's ticker symbol is VMI.

Association to Link Interactive Services

SILVER SPRING, Md. — The Interactive Services Association has been formed to promote telecommunication-based interactive services for transactional selling, information, communication and entertainment services for home and office usage. The ISA is the successor to the Videotex Industry Association and will also provide a link between the interactive services of the telecommunication (cable, broadcast and telephone) industry and consumer videotex/on-line computer companies.

At the ISA's first executive forum, Walter Forbes, founder and chairman of CUC International, a $500 million interactive shopping service, cautioned that interactive technology must add value to the consumer in order to be a commercial success. If the technology doesn't add value, then a service provider like a retailer shouldn't use it. The ISA will hold its next conference, "Interactivity I: America's Telecommunications Future" in Washington, D.C., Feb. 13 to 14. For more information call ISA, 301/495-4955.

Electronic Retailing Gains Devotees

But Sales Figures Fleeting

By Arthur Markowitz
Nationwide DSN Report

The number of consumers able to access electronic retailers has markedly increased, but the actual sales made through computer and telephone on-line services remains a mystery.

Only two companies, CompuServe Information Services and Prodigy Services, provide an extensive electronic retailing service. The other computer and telephone on-line services (see chart) offer mainly local shopping as part of their operation and/or a connection to CompuServe or CUC International. CUC, a phone and computer service, maintains a listing of over 25,000 items which consumers can order through the company from the wholesalers and other sources that supply the merchandise.

CompuServe, the second largest computer information and shopping service in members, continues to be the only one giving any indication of its shopping activity. It reported that 1991 sales on The Electronic Mall on-line shopping service increased 20% over the previous year, while traffic rose 18.5%, the number of orders grew by 22%, the response rate (total orders divided by total visits) was 4.45% and the average sale rose from $65.45 to $69.66.

The Electronic Mall's 1990 volume was up 62% from 1989, traffic increased 10%, the response rate was 4.3% and the average ticket was in the $55 to $60 range.

The holiday season was The Electronic Mall's busiest time, but the service "tried to attract a steady flow of traffic by aggressively promoting [shopping] year round," Regina Brady, CompuServe's director of customer promotions, said. "As a result, our sales remained strong all year, with more than 80% of sales revenues coming in the first 10 months."

Prodigy, the largest service in members, shuns the release of any financial information. A joint venture of Sears and IBM that already involved about a $750 million investment, the service is believed to have lost over $60 million last year.

But Ross S. Glatzer, Prodigy's new president and ceo, said the service was approaching the break-even point and should become profitable within two years. Glatzer succeeded Theodore C. Papes Jr., who headed Prodigy from its founding in February 1984 until his retirement this month.

Prodigy's main income is revenues from advertisers—its main mission is electronic retailer and product information—and from membership fees. *DSN* estimates Prodigy's revenues last year totaled about $25 million, approximately $10 million from membership fees and about $15 million from advertisers, the latter figure an advertising industry estimate.

Actual usage grew faster, Prodigy reported, with members connecting to the service for its information and shopping service reaching 12 million 'tune-ins' in December 1991, compared to 7 million times in December 1990. That rate has since reached 500,000 tune-ins daily, while membership has grown to 1.4 million.

CompuServe, which has 903,000 members worldwide, has responded to Prodigy's rapid growth by adjusting its fees to be more competitive, particularly in the electronic retailing arena.

(Continued on page 33)

On-Line Services That Include Electronic Retailing

Company	Service	Members (In Thousands) 12/91	12/90	Percent Change
Computer On-Line Service				
Prodigy	Prodigy	1,350.0	700.0	92.9%
CompuServe	CompuServe	903.0	740.0	22.0
GE Information Service	GEnie*	287.0	250.0	6.8
General Videotex	Delphi*	71.0	69.0	2.9
U.S. Videotel	U.S. Videotel	8.0	16.1	(50.3)
Phone Company Gateways				
BellAtlantic	Intelligate Washington*	6.5	7.0	(7.1)%
BellAtlantic	Intelligate Pennsylvania*	6.5	6.5	0
US West	Community-Link	8.5	5.6	15.2
BellSouth	TUG/Atlanta[1]	2.5	3.0	(16.7)

**-IIB Estimate*
[1]—Inactive and private users purged from count.
( )—Decline
Source: Information Industry Bulletin

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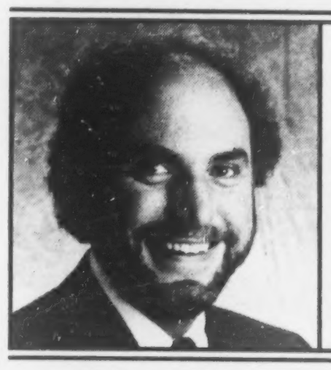
EDITORIAL

Stay Tuned . . . to Your Customers

Once upon a time a discounter was clearly a discounter, a department store was a department store, a drug store was a drug store, and a supermarket was a supermarket. Suppliers distributed their products, retailers marketed their products and consumers shopped for their products accordingly.

But this no longer seems to be the case. According to preliminary results of an exclusive consumer buying behavior study conducted by Leo J. Shapiro & Associates for *DSN*, consumers no longer differentiate among retail concepts the way they once did. The study revealed that consumers do not draw the same lines as the trade between discounters and non-discounters. Furthermore, the traditional so-called "boundaries" or segments of retailing are more blurred than ever and vary dramatically according to specific product categories.



TONY LISANTI
Editor

While this may come as no surprise to some retail industry executives, I believe for the most part that these findings are either misunderstood, ignored or undervalued by most execs. The fact is that consumer buying patterns have changed significantly and faster than anyone could have predicted. And they continue to impact dramatically the already competitive, and in some areas overstored, marketplace.

Consider the following findings from *DSN*'s exclusive consumer research study:

- One in five consumers surveyed buying home electronics from a department store describes it as a discount store.
- About 10% of the consumers buying domestics, children's clothing and men's clothing from a department store describe it as a discount store.
- While 90% of the survey respondents recognize deep discount drug stores as discounters, nearly half describe conventional drug store chains as a discount store when they purchase personal care products and non-prescription medicines.

This data is merely a tidbit of the findings from *DSN*'s First Annual Consumer Buying Behavior Study, which will be published in the March 16th issue.

Stay tuned—not only for more survey results—but to your customers as well!

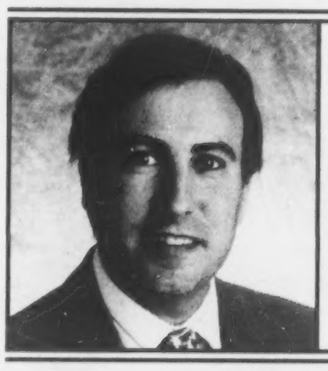
BUYERS & SELLERS

Manufacturers More Focused on Retailers' Needs

The past few weeks have been a whirl of trade shows. Flying around the country to see retailers and vendors at the Winter Consumer Electronics Show, the Photo Show and the National Candy Wholesalers Convention can leave one a bit jet-lagged.

It also can reap numerous observations about the retail scene in general that are often overlooked in routine news articles about the events. One insight that was especially in evidence at all three shows was that manufacturers are getting a better handle on understanding what retailers are looking for.

One example from WCES: Curtis Manufacturing, a maker of computer accessories for the past 10 years. As one of the first vendors in that category, Curtis has watched how competition has driven down prices on accessories from, say, $13.99 for a set of printer leg stands to about $5.99 today. Also, the decline in prices on computer hardware products has necessitated a concurrent decline in accessories prices in order the maintain the historic price differential between hardware and accessories.



DON LONGO
Exec Editor

From the retailers' standpoint, the same product, taking up the same amount of shelf space, but at the lower price point, would not provide a sufficient return. In order to continue selling that product, the vendor had to try to improve the return for the retailer. Raising the price would have provided a better return, but with lower priced alternatives, consumers would not have accepted the higher ticket. Instead, Curtis took the product out of the box and repackaged it so that the printer leg stands are now stackable, much the way resin patio chairs are nested one onto another in the seasonal department.

The result is that a retailer can now achieve an acceptable return from the lower priced product because he can put more product on the shelf in less space and get higher turns.

I'd like to hear from other manufacturers who have made changes in their products to address specific concerns of retailers. Call me at 212-756-5107, or fax: 212-756-5125.

TAKING STOCK

Business People Can Press Political Bounds

Joseph Marie Comte de Maistre, an 18th century French philosopher, statesmen and writer, warned that "every nation has the government it deserves."

Two centuries later, president Calvin Coolidge declared: "The business of America is business."

The Cold War's demise, combined with the United States' continued economic malaise, ongoing changes in the country's demographics and the revolutionary impact of technology in the manufacturing and service fields have resulted in the unfolding of a new political and economic world.

This new world won't change the democratic nature of the U.S. government. But the new world will influence the business of government—the selection of what services to perform and determining how and at what cost to deliver those services. And the choices in benefits and costs that the people make will be the government the nation deserves.

ARTHUR MARKOWITZ
Senior Editor

Business people, including retailers, their employees and their suppliers, have to become more directly involved in the process of selecting services and delivering choices at all levels of government as these decisions affect their livelihood and the nation's future. That involvement doesn't require running for elective office or running after appointed positions.

Business people can contribute toward clarifying the choices and costs for government services and developing standards for delivering these benefits. They should require everyone running for office, from president down to dog catcher, to do what any good business person does in mapping out a business plan: quantifying options and detailing decisions and proposed programs based on the costs/benefits of these choices.

Failure to clarify the choices facing the nation won't affect just a few businesses or individuals. History subsequent to President Coolidge's free and easy flapper period has shown that failure to take care of the business of government results in the business of America failing.

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New Players Add Fire to Warehouse Club Biz

By Arthur Markowitz
Nationwide DSN Report

The membership warehouse juggernaut rolls on. The segment is powered by:

- The explosive growth in revenues and stores of the five major chains—Sam's Club, the Price Club, Costco Wholesale, Pace Membership Warehouse and BJ's Wholesale Club.
- The advent of new players—SourceClub in the United States, and Club Aurrera and Price Club de Mexico south of the border. Also, a number of companies are eyeing Europe.
- The growing success of niche marketers like Smart & Final, which utilize aspects of the wholesale club concept.
- Diversification into ancillary business, like shopping centers that include a wholesale club as an anchor, with the Price Co., leading the move.
- The continued expansion of club services like credit card acceptance, hot dog and pizza stands and guaranteed prices for core business merchandise through a key selling season.

The scope of the membership warehouse industry can be gleaned from a few statistics. The industry's revenues—sales and membership fees—reached $27.35 billion last year, up 34.7% from $20.31 billion in 1990. The percentage increase in revenues outpaced the growth in clubs, which went up 22.97% from 505 units to 621 stores.

This year the industry's revenues are likely to reach $35 billion, a conservative figure that is still a 25% jump, while the club count will hit 716 units, a 15% increase.

This impressive growth, however, continues to be powered by the top five membership warehouses which last year accounted for 26.5 billion in revenues or 96.1% of the industry's total. These chains' overall revenues jumped 35.7%, outpacing the industry's total growth. They also accounted for a greater share than in 1990, when total revenues of $19.4 billion amounted to 95.4% of the industry's overall revenues.

A similar story was played out for the club count. The top five last year operated 482 stores, which accounted for 77.6% of the industry's total; their count is expected to grow 16% and reach 559 clubs this year or a 70.1% share.

The impact of the five in the club count isn't as overwhelming as in the revenues area because of Smart & Final, a niche membership warehouse that operates the second largest number of clubs, 118 last year, which is expected to increase 8.5% to 128 this year. The $663 million company, which went public in mid-1991, is partly owned by Casino, Guichard-Perrachon et Cie, a public French retailing and manufacturering conglomerate.

Unlike traditional wholesale clubs, Smart & Final merchandises a wider assortment of about 10,000 skus, primarily food with a selection of office supplies, household and janitorial items. It also sells goods under four private labels.

More than 90% of its clubs are in California, the rest in Nevada and New Mexico. The Dallas/Fort Worth market is on the drawing board for 1993.

The industry's two other niche players are Convenience Club, with three units, and H-E-B Bodegas, two stores.

Convenience Club, modeled on the traditional membership warehouse, is operated by Certified Grocers of California as its experimental response to the impact of clubs like Price on the wholesaler's business with convenience stores, restaurants and similar retailers.

H-E-B Bodegas, test ventures by the H.E. Butt supermarket company, are mini 35,000-sq.-ft. clubs that don't charge a fee to business or group (consumer) members. Some of the institutional and large-size items in the clubs are found in a few Butt's supermarkets, but there is little overlap in merchandising.

The industry's diversification has seen the Price Co. turn a number of the sites it owns into shopping centers, with Price Club as anchor. Earlier this year, the company spun off five sites, four of which have Price Clubs, into The Price REIT (real estate investment trust) that generated about $71 million for future expansion. Previous diversifications include starting its own meat packaging plant, candy bagging operation and photo lab.

Smart & Final has acquired Port Stockton Food Distributors, an institutional full-service food distributor in California. The company now deals with customers through its self-service clubs or its full-service distributor.

Related to the selective diversification is the expansion of service and merchandise areas. In the service arena, the five major clubs either accept or are testing one credit card, the Discovery Card, because it doesn't charge any annual fee and returns up to 1% of the sales to card holders. The Price Club, which has a $75 minimum for a charge purchase in its test clubs, explained to members that with its high volume its merchants fee is about equal to the cost of processing a check.

The newest merchandising/service endeavors are hot dog stands at Sam's and the Price Club and a fresh pizza service being tested by Pace. Scratch bakeries and fresh meat and produce have become ubiquitous in the last year, joining auto buying, prescription and low-cost telephone services rolled out previously. Costco is testing a mini-home center section in three clubs.

Price is the industry's driving attraction. Sam's is keying in on this by guaranteeing the price of business products during their main merchandising season. One example: playing up its guarantee of the price of 18 office supplies through May in its club newspaper, Sam's Buy Line, distributed to fee-paying business members.

Perhaps the best gauge of the clubs' success can be found in the number of companies entering the industry, and the expansion of the concept to other countries. H-E-B Bodegas was launched in mid-1991, and as the year ended the first membership warehouse, Club Aurrera, was launched in Mexico as a joint venture between Wal-Mart, Sam's parent, and Cifra, N.A., the largest Mexican retailer. This year, the Price Co. opened Price Club de Mexico, a joint venture with Comercial Mexicana, a major Mexican merchant.

Meijer, a top 10 discounter, is due to open its initial Source Club this fall. And waiting in the wings are moves to Europe by Costco, likely in England by mid-1993, followed by Sam's and others.

In less than two decades, the Price Co.'s first club on Morena Boulevard in San Diego has grown into a $27 billion business in the United States and Canada—and is poised to become a worldwide industry.

No other merchandising concept has been as sucessful.

The Membership Warehouse Industry

Chain	Revenues (a) (In Millions) 1991	1990	Percent Change	Number of Stores 1/91	1/92	12/92*
Sam's Club[1] Bentonville, Ark.	$ 9,430	$ 6,579	43.3%	148	208	238
Price Club[2] San Diego, Calif.	6,598	5,286	24.8	66	77	91
Costco Wholesale[3] Kirkland, Wash.	5,216	4,060	28.5	68	81	91
Pace Membership Warehouse[4] Aurora, Colo.	3,600*	2,295	57.6	70	87	102
BJ's Wholesale Club[5] Natick, Mass.	1,435*	1,150	24.9	27	29	37
Smart & Final[6] Santa Barbara, Calif.	663	564	17.5	111	118	128
Warehouse Club[7] Skokie, Ill.	243	265	(8.3)	10	10	10
Wholesale Depot[8] Natick, Mass.	80*	50*	60.0	3	4	7
Convenience Club City of Commerce, Calif.	75*	60*	25.0	2	3	3
H-E-B Bodega[6] San Antonio, Texas	10*	—	—	0	2	2
Club Aurrera[9] Mexico City, Mexico	—	—	—	0	2	4
Price Club de Mexico Mexico City, Mexico	—	—	—	0	0	2
SourceClub Grand Rapids, Mich.	—	—	—	0	0	1
Total:	**$27,350**	**$20,309**	**33.5%**	**505**	**621**	**716**

a—Sales and membership fees except where noted
**DSN estimate*
( )—decrease
[1]Includes 28 former The Wholesale Club units acquired 2/91.
[2]Includes sales from 12 Canadian clubs; revenues excludes membership fees of $142M in '91 and $114.6M in '90 units.
[3]Includes sales from 10 Canadian clubs; revenues excludes membership fees of $89.7M in '91 and $73M in '90.
[4]Includes 17 Price Saver acquired 12/90.
[5]Closed one club in 1990, four clubs in 1991.
[6]Doesn't charge any membership fee.
[7]Two clubs closed in 1990.
[8]Closed one club in 1991.
[9]Opened initial two clubs 12/91.

Sam's Club fiscal year ends Jan. 31.
Price Club fiscal year ends Aug. 31, 1991.
Costco Wholesale fiscal year ends Sept. 1, 1991.
Pace Membership Warehouse fiscal year ends Jan. 29.
BJ's Whole Club fiscal year ends Jan. 25.
Smart & Final fiscal year ends Dec. 29, 1991.
Warehouse Club fiscal year ends Sept. 28, 1991.
Wholesale Depot fiscal year ends Dec. 31, 1991.
Convenience Club fiscal year ends Aug. 31, 1991.
H-E-B Bodegas fiscal year ends Oct. 31, 1991.

Source: DSN research

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Guffey to Revamp Kmart Loss Prevention

(Continued from page 3)
operates under an "archaic" LP management structure, he said, in that its LP director lacks direct line accountability from his people in the field. Speaking only on background, the LP executive said that at Kmart, the head of LP for a store reports to the store manager, instead of to the director of LP at headquarters.

Guffey goes from directing loss prevention for a 30-store company with estimated sales of $250 million in 1991 to a chain with 2,345 U.S. discount stores and 1991 sales of $26 billion.

The quantum leap in store count and sales is immaterial, said an LP industry source who also has known Guffey since his Target days.

"What is important is how good a manager you are and whether you have the vision to implement your LP philosophy," the source said.

Kmart is the fourth multi-billion dollar retailer to replace a long-term LP director in the past year, the source said.

The source said he suspects Kmart did so for the same reason the other three did: to get a new person from outside who would aggressively move to turn LP into a profit center. Another way to add profit dollars is to take advantage of state laws that allow civil recovery. Laws in 40 states let retailers go after the pocketbooks of accused shoplifters, dunning them for as much as $500, in lieu of criminal prosecution, to defray costs of security guards and equipment.

Kmart is attempting civil recovery in only two states, Florida and Texas, said Read Hayes, a security consultant for Loss Prevention Specialists, Winter Park, Fla., a subsidiary of Ross Stores. For a percentage of the amount collected, Loss Prevention handles civil recovery for Kmart in those states.

In addition to increased civil recovery efforts, Guffey "would have to change the reporting structure," Hayes predicted. The present one leaves open the possibility of collusion among dishonest store personnel, he said. Shoplifting is only part of the shrink problem, he said.

The million dollar question is what Kmart will do about electronic article surveillance tags, Hayes said.

Upon Way's departure, Kmart canceled a contract he had just let to protect the consumer electronics corrals of 200 stores with EAS tags and monitors from Checkpoint, Thorofare, N.J. In contrast, Wal-Mart and Target are protecting 100 and 125 entire stores with EAS tag systems.

Way's intended approach of protecting just one department, instead of the entire store, involves enormous problems, said a Kmart headquarters source who agreed to speak only on background. Customers have to remember to checkout twice, once at the consumer electronics department and again at the main exit, or risk the embarrassment of setting off alarms.

Kmart is tight-lipped about sharing shrinkage information with the industry, another discounter LP source said. But he suspects its shrink rate runs higher than average in the discount store industry. (Ernst & Young found that the shrink rate averaged 1.8% for the 19 discount chains questioned in its 1991 loss prevention survey conducted for the International Mass Retail Association.)

Electronic Retailing Gains Devotees

(Continued from page 6)
Last year, CompuServe switched the access charge for consumers who only wanted to shop The Electronic Mall to a flat fee of $2 a month and a small hourly communication surcharge. This month its basic charge was changed to $7.95 a month for 30 services, including The Electronic Mall, from a combination of a $2 membership fee and hourly connect charges as high as $12.50 an hour.

Prodigy has always charged a flat fee, raising the charge last year to $12.95 a month ($9.95 in a one-year subscription) from $9.95. Both Prodigy and CompuServe levy additional charges for some select services.

CompuServe spurred shopper interest in The Electronic Mall in 1991 by eliminating the hourly connect charge for using that specific service. Brady said that CompuServe found that when members could browse "at their leisure without worrying about connect charges, they're more likely to make a purchase."

Costco Plans England Expansion

(Continued from page 1)
Costco is striving to be the first American wholesale club in Europe so it can beat competitors, all of whom are also eyeing European expansion.

A Costco exec told *DSN* earlier this year that European membership warehouses like Makro and the cash and carry stores weren't seen as a major competitive problem. These wholesale clubs aren't as sharply priced as American membership warehouses and carry a much broader assortment, which results in a lower turn and higher costs.

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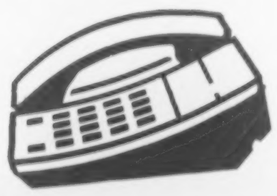

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Vol. 31, No. 5 Mar. 2, 1992

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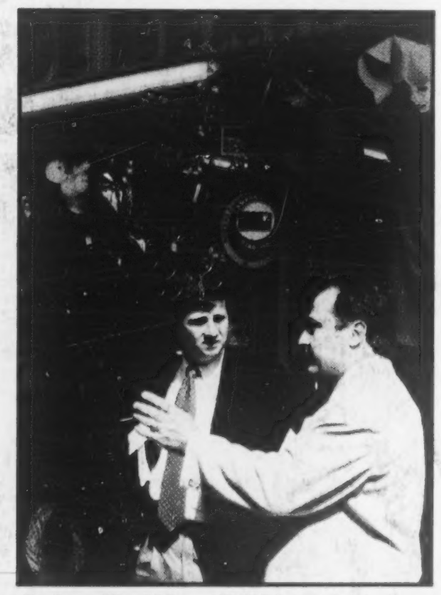
VOL. 31, NO. 6 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $5 per copy | March 16, 1992

***Club Aurrera,** the new joint venture between Wal-Mart and CIFRA, was among the stores toured at the Mexican conference.* (DSN photos)

DSN Co-Hosts Mexican Tour as NAFTA Nears



***John Failla,** DSN publisher chats with Gobind Hira, owner of Kay International, at the confab.*

By Mary Ellen Kelly

MEXICO CITY — As negotiators from the United States, Mexico and Canada were hammering out elements of the proposed North American Free Trade Agreement in Dallas last month, retailing and manufacturing executives from the U.S. and Mexico convened a few hundred miles to the south to investigate "Opportunities in Mexico."

Representatives from more than 40 companies attended this international event, cohosted by *Discount Store News* and TRADE, The Retail and Distribution Services Group of Deloitte & Touche.

The two-day seminar consisted of a full-day tour of Mexico's leading retailers and a day-long seminar program covering topics ranging from the forecasted impact of NAFTA on the participating countries and its retailers, to current tax laws governing Mexican retailers and the advances in retail technology being made in Mexico. (Watch for a special report on the conference to be published in *DSN*'s May IMRA issue.)

Executives from retailers like Dayton Hudson, Payless

(Continued on page 6)

Sears Mexico Enters The Discount Bullring

By Mary Ellen Kelly

PACHUCA, Mexico — Sears AutoServicio opened its doors here, 100 miles north of Mexico City, and ushered Sears Roebuck de Mexico, S.A., into the world of traditional discount store retailing.

Unlike any other Sears in Mexico, the United States or Canada, this 55,000-sq.-ft. Sears AutoServicio (self-service) test store could ultimately trigger Sears Mexico's North American counterparts to review their own staid approach to retailing.

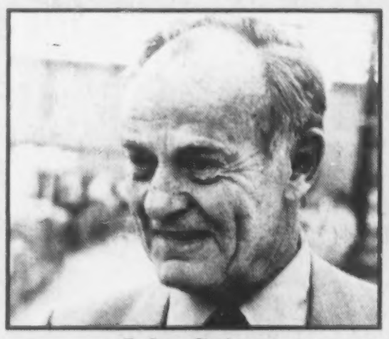
***AutoServicio:** Sears Mexico is testing a traditional discount store format. The unit sells basics for low- to middle-income shoppers.* (DSN photo)

The test unit, complete with square racetrack, neon colored speed tables and centralized checkout at the front end, can only be recognized as a Sears by the sign at the front of the store and Sears' trademark Craftsman tools center.

Thurman Williams, president of Sears Mexico, said the store in Pachuca will need at least a full year of operation before he can determine whether additional units will be opened. The Pachuca format is now halfway through its test period.

If successful, the Sears AutoServicio would become one tine in Sears' three-pronged approach to retailing in Mexico.

(Continued on page 8)



John Geisse

Discount Pioneer Geisse Dead at 71

By Arthur Markowitz

INDIANAPOLIS — John Geisse, a pioneering discount store executive who originated the upscale discount store concept and launched three successful chains, died at his home here Feb. 21 of a heart attack. He was 71 years old.

(Continued on page 54)

Membership Warehouses Target New York Market

By Arthur Markowitz

NEW YORK — Membership warehouses are stepping up their expansion into the Greater New York market as part of the industry's explosive growth in the Northeast.

Sam's Club, Costco Wholesale and Pace Membership Warehouse are all set to enter the New York market this year with a total of at least nine clubs, joining Price Club and BJ's Wholesale Club, which together already have three stores and are each opening at least one more.

A number of factors are behind the clubs' move into the Greater New York market. These include:

- The area is the largest remaining market in the nation for clubs to exploit. Boston, the other major market that clubs haven't yet developed, offers much less potential than New York.
- Mall developers in the market are turning to clubs as major tenants instead of conventional department stores, whose viability and traffic draw are open to question.
- The demise of some retailers and other businesses has freed up space for freestanding clubs, particularly in built-up communities on Long Island and in Westchester County with little room for new construction.
- Builders are rushing to complete projects before zoning and environmental regula-

(Continued on page 52)

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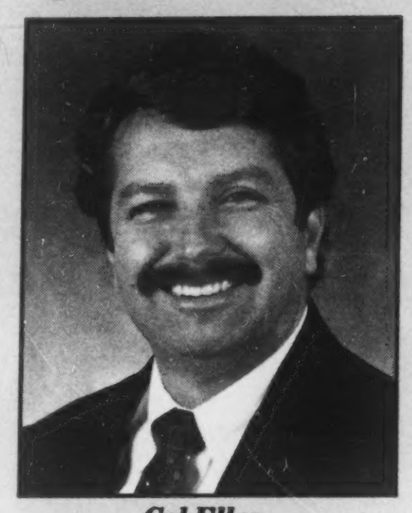
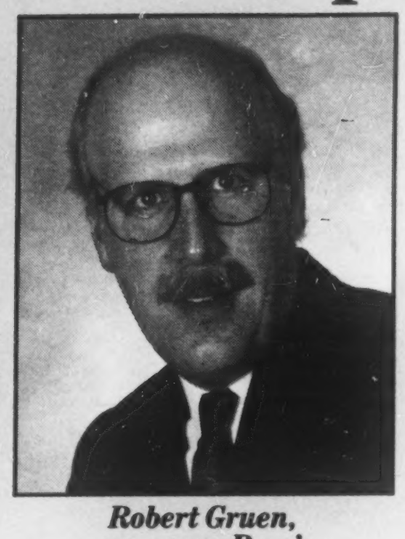


Cal Eller, sr. vp, gmm, Venture



Robert Gruen, vp, gmm, Rose's

Richard M. Maguire, vp, home decor, Target

NEW YORK — Two executives from top regional discounters and one from the third largest discount chain in the nation have agreed to participate in the 1992 SPARC (Supplier Performance Awards by Retail Category) program.

The executives, Cal Eller, senior vice president and general merchandise manager for Venture Stores, O'Fallon, Mo., and Robert Gruen, vice president and general merchandise manager of Rose's Stores, Henderson, N.C., have joined this prestigious industry group, which includes top merchandising executives from such chains as Wal-Mart, Kmart, Service Merchandise, Hills, ShopKo, Jamesway, Fisher's Big Wheel and Zellers.

In addition, Richard M. Maguire, vice president of home decor for Target Stores, Minneapolis, succeeds former Target president Warren Feldberg on the committee. Feldberg left the third largest discounter last year to become chairman of Marshalls, the nation's largest off-price apparel chain.

The SPARC committee was organized 15 years ago by *DSN* to honor the suppliers that best understand how to serve the needs of discount retailers. Buyers from 150 discount retailers will be getting nominating forms soon to select suppliers they feel contribute the most to discount retailing. General merchandise managers from those chains then vote to select a ballot of finalists in 20 merchandise categories.

In addition to presenting the awards at *DSN*'s annual SPARC banquet (to be held Sunday, Aug. 16, in Chicago), the committee votes on the top prize of Vendor of the Year. *DSN*'s Discounter of the Year and induction of an industry leader into the Discounting Hall of Fame are also highlights of the evening awards banquet.

Kmart senior vice president and general merchandise manager William Underwood is chairman of this year's SPARC committee.

DSN Co-Hosts Mexico Confab

Retailers Study Opportunities

(Continued from page 1)

Shoesource, J.C. Penney and others were represented as were leading vendors from a cross-section of product categories including: Action Industries, Coca-Cola Foods, Coats & Clark, Darling Store Fixtures, Du Pont, Fruit of the Loom, Goody Products, Intercraft Industries, Manco, Mead School Office Products International, Newell Corp., Sara Lee, Wamsutta/Pacific Home Products, Whirlpool and others.

Some executives said they were using the seminar as a fact-finding mission to get a better grasp of the Mexican retail scene and culture, while others were hoping to expand product distribution and explore opening stores or plants south of the border.

Regardless of individual agendas, attendees left with a working knowledge of: how NAFTA could impact their businesses; the size, scope and forces shaping the Mexican marketplace; foreign trade and tax regulations in Mexico; and both the current status and forecasted future evolution of retail technology in Mexico.

Both retailers and suppliers considering expansion in Mexico were most interested in information on forming partnerships with Mexican companies similar to their own.

Partnerships are believed to be an easier way to enter a foreign market—especially since, for many, this is the first time a move abroad has been considered. And since partnerships were the vehicle of choice for several leading U.S. companies—Price Club's partnership with Comercial Mexicana, Wal-Mart's venture with CIFRA, and most recently, leading U.S. food distributor Fleming Cos.' pact with Grupo Gigante—many wanted more information on partnership logistics.

First-hand exposure to the fruit of retailer partnerships was seen during the tour at the new Club Aurrera store, opened as a joint venture between Mexican retailing conglomerate CIFRA, and Wal-Mart. Also visited were some of the country's largest department stores like Liverpool and Palacio de Hierro. CIFRA's Gran Bazar hypermarket was on the day's agenda as was the Perisur Mall, home to Sears Mexico's upscale department store format, Oshman's sporting goods and a broad selection of smaller department stores and specialty outlets.

Many U.S. brands were not only on the shelves of retailers with U.S. counterparts (Sears, Woolworth and Club Aurerra), but were also found in the larger food and general merchandise stores.

While bilingual packaging guidelines (requiring that importer and exporter information be noted on each package and bilingual descriptions provided) were not being adhered to universally, Mexican shoppers evidently welcomed U.S. products, based on the depth of the stock and the content of consumer shopping carts.

The receptivity to U.S. goods is especially noteworthy in light of what the future holds for the country, including the forecasted population explosion in Mexico, expected to climb by over 20% to 100 million people during the next eight years. This growth, coupled with a projected rise in the economically active people in the country and a steady improvement in foreign investment policies will catch the attention of U.S. retailers weighed down by the millstone of a sluggish domestic economy.

Having explored the retail landscape, executives at the conference spent a day in conference with leading experts on the retail scene. Seminar presentations were made on the trade agreement, Mexican demographics, technology, political differences between the U.S. and Mexico and other pressing topics.

Guest speakers included:

- Ernesto Valenzuela, board member and director of audit services with DRT International's member company, Galaz, Gomez Morfin, Chavero, Yamazaki S.C., with an overview of Mexican retail practices;
- Jose Antonio Morera, chairman of the board of National Retailers Association of Mexico (ANTAD), discussing the services the association provides to its membership;
- Jesus Gonzalez Elizondo, chief executive officer of Salinas y Rocha department stores, talking about how retailing in Mexico has been changing;
- Javier Labrador, partner and tax director with Galaz, Gomez Morfin, Chaverdo, Yamazaki, who spoke on foriegn trade and tax regulation.
- Hal Daub of Deloitte & Touche, who updated attendees on the latest NAFTA talks and provided guidelines on how each manufacturing and retail segment can best capture the attention of their political representatives and insure that the needs of their industry are addressed in the NAFTA negotiations.

VideOcart Shifts to AIX Gateway

CHICAGO — VideOcart Inc. has switched to an IBM RS6000 workstation as the in-store gateway for the interactive shopping carts now being tested by Wal-Mart (see *DSN*, Feb. 17, page 147), Toys "R" Us and some supermarkets.

The vendor made the move because the workstation uses AIX, IBM's Unix operating system, which is more versatile than the DOS operating system running the IBM PS/2 computer that was originally targeted to be the gateway. Wal-Mart, Kmart and a number of other leading merchants have also elected to use Unix as the operating system for all their retail technology.

VideOcart expected to have 70,000 to 75,000 carts in about 500 stores from among a number of retailers by the end of the year. *DSN* incorrectly reported that it would deploy about 7,000 carts.

While Wal-Mart and Toys "R" Us are testing VideOcart, Kmart decided to probe Datatec Industries' ShopperTrak system as its customer tracking technology. Kmart didn't run any formal tests of VideOcart prior to its decision.

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Retailers find coordinate pieces and higher prices are not a deterrent for discount shoppers as the category grows in the discount tier.

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High Technology Products Key to Super Show Intros

By Richard Halverson

ATLANTA — New offerings at this year's Super Show suggest that manufacturers are making a renewed pitch for the mass market by incorporating high technology features once reserved for pro shop golf and tennis gear into equipment priced for discounters.

Moreover, the exercise category is alive and well, if debuts of inexpensive, two-position home exercise equipment were any indication.

Among the new products, training devices for basketball, soccer and tennis appeared to be among the more innovative bits of gear.

And the booming popularity of street hockey prompted a number of new vendors to enter the market and existing vendors to expand their lines.

Northwestern, which already commands the lion's share of discounter golf business, introduced two new products it claims will allow pro shop technology to trickle down to mass market.

One example is its new, oversized titanium boron alloy driver with graphite shaft. Part of Northwestern's new TourSelect line, the driver wholesales for $35 to $40, national sales manager Steve Miller said, compared to $125 to $175 for a comparable pro shop driver.

Another is its milled face putter, said to be flatter than a cast putter, which wholesales for $13 to $15. That compares with a $30 to $40 wholesale on comparable milled face putters designed for pro shops.

In its first diversification outside golf, Northwestern introduced two graphite softball bats. An end-loaded model wholesales for about $60, with a $99 suggested retail, Miller said, while a standard model wholesales for about $45.

In prestrung tennis rackets, Wilson introduced two models for about $50 that incorporate the same technology as its pro shop rackets that sell for about $200.

In golf, Wilson is re-entering the $199 promotional set market with its Pro Power line. In another trickle down example, the sets feature the same type of forged cavity back heads seen on Wilson's Ben Hogan pro shop line selling for $500.

To appeal to tennis buffs, Penn introduced a white (of all colors) Centre Court line of tennis balls intended to retail for $2.99 for a can of three. On the low end, Penn debuted the Medalist in now standard day-glo yellow priced to retail at $1.99 and still produce a "few pennies" of retail profit.

"I like the white nostalgia balls," said Dave Doran tennis buyer for Sports Unlimited, Tampa, Fla. At $2.99 a can, "we can make some money on it," he said, even though it costs 10 cents more than Penn's standard line.

The fastest growing segment of the home exercise category is the two-position, flex home

(Continued on page 14)

Sports Licensed Goods Shine

Licensed Apparel Still Remains Champ at Super Show

By Jill Lettich

ATLANTA — Sports licensed apparel was the defending champion at the recent Super Show here. The exhibition of sporting goods, sports apparel and related products sponsored by the Sporting Goods Manufacturers Association attracted more than 80,000 attendees.

The mood was upbeat, as reports of good January sales at retail filtered through. Basic fleece, patterned bodywear, hiking-style shoes and embroidered baseball caps were mentioned by many retailers as potential winners. Licensed apparel, however, in both men's and children's, was by far the busiest area of the show.

"For some retailers this was the only area that sold last year," said Brian Edington, senior vice president, Logo 7. And there were few signs that it is waning. Edington reported bookings for Logo 7's various licensed lines were five times greater than last year.

Because licensed apparel reaches such a wide range of retail outlets, a number of manufacturers have tailored lines to match particular retail venues and price points. Logo 7 is the brand name for apparel directed to upper-end discounters such as Target; while the company's Logo Athlete line is aimed at upscale retailers.

Chalk Line has approached the market in a similar way. Its Locker Line is for discount customers; Chalk Line goes to the mass market; Stadium Club is the upscale line.

According to Alan Schultz, Chalk Line's vice president of advertising, the licensing arms of the major sports associations were instrumental in aligning their licensees. "The NFL was really the one to take the lead in segmenting the market," he said.

The high level of involvement of the sports organizations was evident at the show.

Sue Koten, director of children's licensing for the National Basketball Association, noted that with last year's introduction of NBA Little Stuff children's line it has become more involved with retailers as it continues expanding. "We had to learn what each channel of retailing required in terms of price points and quality," she said.

The National Hockey League, the smallest of the major sports organizations, will bring licensing responsibilities in house for the first time, according to Ilene Kent, head of the licensing efforts.

The lack of a national television contract for the NHL, and the natural regional limitations of the sport have become a problem. But Kent hopes that new teams in San Jose, Calif., and Tampa, Fla., will broaden its base.

According to Kent, giveaways, POP accessories and other support materials are available to retailers carrying NHL apparel. The sales efforts has even extended to the participation of individual teams. "We now have teams switching to wearing away uniforms during the regular season. This way, fans get used to seeing the colors," she said. The hope is that those same colors will be immediately recognized at retail.

In footwear, hiking shoes were popular for both their functionality and their look.

Sneaker sales were sluggish through most of 1991. The SGMA reported that retail unit sales fell from 393 million to 388 million.

Despite sluggish sales, manufacturers did not skimp at all on their presentations or on new product releases.

Reebok showed its newest double pump shoe, designed for basketball.

L.A. Gear also reported its new marketing campaign would focus on the technical merits of its offerings.

Nike's marketing coup is the exclusive signing of Chicago Bulls superstar Michael Jordan.

Sporting goods specialty stores such as Sports Authority and Sportmart are primed for these introductions. But discounters, in general, have felt the pang of declining sneaker sales.

Many discounters said hiking shoes will carryforward and supplement white sneaker sales, especially in women's.

Casual styles are also giving the men's market a run for its money. SGMA reported 1991 unit sales of men's casual shoes increased 12%.

MARKETWATCH

Kmart Adds B.E. as Own Casualwear

TROY, Mich. — Kmart has unveiled B.E. chainwide as its newest private label line. It's a collection of casual, basic essentials that relies on knit separates with one or two twill pieces to round out the line. The size of the collection will vary beginning with basic tank and T-shirts and knit shorts with twill pieces such as pants and shorts. The line is currently displayed on 15 to 18 circle racks.

Ames Gets Extension For Filing Plan

ROCKY HILL, Conn. — A federal bankruptcy judge has extended Ames' exclusive right to file a reorganization plan to the end of April. The court has also scheduled a mid-March hearing during which Ames and its creditors will report on progress in its reorganization plan negotiations. Sources report that negotiations tensions have been diffused. Ames chief financial officer Peter Thorner remarked on the "businesslike" tone those talks have taken. "The relationships between the various constituencies have been improving," he said. "A successful resolution of the negotiations is in everyone's interest."

Sears' Newest Brand: Goodyear Tires

CHICAGO — Sears next month will start selling Goodyear tires in 850 automotive centers. Sears already sells about 9.5 million tires a year, or 10% of the replacement market, and expects to sell 1.5 million to 2.5 million Goodyear tires a year. If successful, Sears will try to directly secure Goodyear tires for its discount auto chains, Western Auto and Tire America, which now get Goodyear products through diverters. In another mass market development, Kelly Springfield, a Goodyear subsidiary, earlier this year began selling its Douglas house-label tires to Wal-Mart.

Discounters Sales Strong in February

A sampling of discount chains shows that their sales surged in February from the war-depressed sales a year ago. The gains range from 76% at Best Buy to 2% at Ross Stores.

February 1992 Sales Gains

Chain	Sales (In Millions)	% Inc. From '91
Wal-Mart	$3,609	34.0%
Kmart	2,320	9.9
Sears	2,189	3.3
Circuit City	205	35.0
Caldor	117	10.7
ShopKo	104	7.9
Venture	94	15.3
Best Buy	79	76.0
Family Dollar	88	37.0
Consolidated Stores	54	31.2
Ross Stores	53	2.0
Dollar General	50	28.2
Jamesway	45	10.0
Value City	37	18.2
Pic 'N' Save	33	3.4
Clothestime	17	17.0
Value Merchants	14	60.5
50-Off Stores	9	52.0

Source: Company reports

FOR THE RECORD

DSN's story on electronic retailing (March 2, page 6) included incorrect estimates on Prodigy's revenues and losses last year. Prodigy's estimated revenues are $115 million, $100 million from membership fees and $15 million from advertisers. Its loss is estimated at about $30 million, putting it close to the company's projected break-even point. Sale of merchandise, however, has fallen short of Prodigy's business plan and it has been revised to include introduction of new services at higher fees to compensate for the low sale of merchandise.